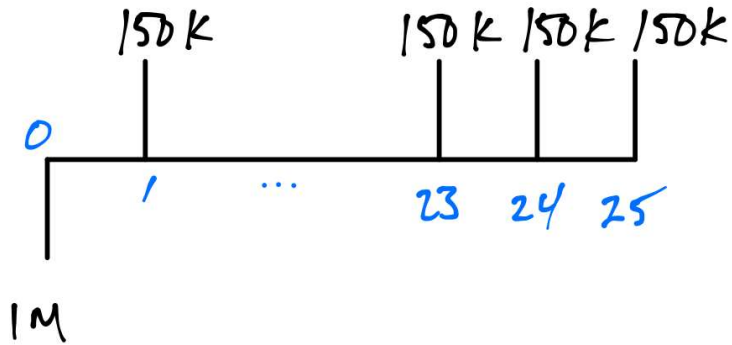


# Solution: Transformer Upgrade

Cash flow diagram:



$$PV_B = \frac{F}{r} \left( 1 - \frac{1}{(1+r)^T} \right) = \frac{\$150k}{0.1} \left( 1 - \frac{1}{(1.1)^{25}} \right) = \$1.362M$$

$$PV_C = \$1M$$

$$NPV = \$362k$$